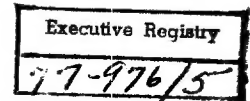


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10 JUN 1977

C21.1

MEMORANDUM FOR: Deputy Director of Central Intelligence

25X1 SUBJECT : Contractors []

REFERENCE : D/Personnel Memo to DCI, dtd. 17 June 1977,
Same Subject

25X125X1 1. [] At the request of [] we have reviewed the referent memorandum and, more specifically, paragraph 2.c. and Attachment C. Our examination of the material included in Attachment C tends to support Fred Janney's conclusion regarding the Agency's use of individuals under "external support" contracts. That is, "...the acquisition of the services of these individuals is legitimate, cost effective, and is not an evasion of personnel ceilings."

25X1 2. [] It is worth mentioning, however, that the nature and duration of some types of contractor support bears on the evasion of ceiling issue. Computer programmers/system analysts are an example. They must be thoroughly familiar with the hardware and operating system being utilized as well as the specific requirement necessitating programming support. Once a contractor employee has acquired knowledge of our systems through contract effort, his or her value becomes enhanced, such that it becomes "cost effective" for the Agency to utilize them for other programming requirements. While each task may be a specific contract effort, vice general staff support, three, four or five years of such continuous effort begins to blur the comparison. Notwithstanding the cost effectiveness of the Agency continuing to utilize knowledgeable and Agency-experienced contractor programmers, for example, senior managers must make a judgment as to whether or not this gives the appearance of evasion of personnel ceilings. Even if the judgment is made that it represents an appearance of evasion, it seems to me that this must be further balanced against a manager's attempt to utilize scarce resources in the most effective manner within statutory and regulatory constraints. A total of [] software support personnel in Attachment C may fall into this category.

25X1 3. [] While a very few of the contracts listed may present the appearance of evasion of personnel ceilings (and further detailed analysis would be required to determine whether in fact this was so), the overwhelming

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percentage of Attachment C appears to be necessary and proper. We find no evidence, based on Fred Janney's data, that there is either an overall Agency or any specific component attempt to evade personnel ceilings via utilization of contractor personnel in "staff-like" duties.

[Redacted Signature Box]

[Handwritten Signature]
James H. Taylor
Comptroller

25X1

Attachment

Distribution:

Orig. - Addressee

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